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FOR IMMEDIATE RELEASE

(Washington DC) Today, Rep. Luis V. Gutierrez, Chair of the Subcommittee on Financial Institutions and Consumer Credit made the following opening statement at a hearing entitled, "The Condition of Financial Institutions: Examining the Failure and Seizure of an American Bank."

Ever since the beginning of this financial crisis in 2008 we have all heard about the big financial firms and banks that have failed: Bear Stearns, Lehman Brothers, Merrill Lynch. But for every large bank that fails, there have been dozens of smaller, community banks that have also failed. Banks with names like People's First Community Bank, St. Stephen State Bank and even banks like Park National Bank, that was supported by a largely successful holding company, fail every week.

While the focus of this hearing is the failure of one particular bank holding company, it is my intention to shed light on lessons learned from recent bank failures and the insolvent bank resolution process. Last year alone 140 banks failed across this nation, and so far this year four banks have failed, including three just last Friday. Through this hearing I hope to provide our banks better insight into the factors used by their regulators when they make these decisions, and for the regulators to have a better understanding of the impact that bank closures and consolidation have on our local communities and civic and community organizations like our schools and faith-based institutions.

We should also examine today the FDIC's flexibility in accounting for factors such as a purchasing bank's knowledge of the market it is moving into, as well as a bank's record of community investment and support beyond the standard CRA rating. If the FDIC requires a change in the current laws to be able to account for our communities' well being, then by all means we should have that discussion now, before more and more banks fail and consumers

suffer even more than they already have.

Finally, I want to stress the importance of banks that focus on lending to their communities and not simply on using their money to make profits through trading on Wall Street. Real economic growth in this country happens when we invest in Main Street. It is based on old-fashioned lending: through a loan to a bakery to buy a new commercial oven; helping to finance the expansion of a local school; helping to put a child through college; or simply offering them a reasonable and affordable loan.

The economic crisis that we face was created by trading in confusing and all too ephemeral products like credit default swaps and mortgage backed securities, not by financing the expansion of the hardware store down the street. This kind of trading is still based too much on greed. Just take a look at the decrease in lending last year, and compare that to the increase in bonuses doled out by many of the largest —and yet most vulnerable— institutions. And as our local lenders close all around us, these banks continue to play financial roulette. It's fundamentally backwards and quite simply counterintuitive. I believe that in order to stabilize our financial system we must re-examine what it means to be a successful bank in this country and encourage a return to the fundamentals of lending. I am glad to hear that President Obama will be addressing this very issue later today when he announces his plans for limiting the ability of commercial banks to conduct proprietary trading with their depository funds.

Finally, I want to thank all of you who came to this hearing, in particular those who made the long journey by bus. I applaud your interest and your involvement in these important issues which are vital to the sustainability of all our communities. I look forward to hearing the testimony of those before us today.

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